

September 10, 2012

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; Universal Service Reform – Mobility Fund, WT Docket No. 10-208

Dear Ms. Dortch:

On Thursday, September 6, 2012, the undersigned on behalf of the National Telecommunications Cooperative Association, together with representatives of 22 companies as listed below (the “Rural Representatives”), met with Commissioner Ajit Pai and Nicholas Degani, Wireline Legal Advisor to Commissioner Pai. Senator Jerry Moran, and Mark Colwell and Pam Henderson from the Office of Senator Moran, were also present in the meeting.

The Rural Representatives discussed how the lack of certainty resulting from Universal Service Fund (“USF”) reform has caused small telecom companies such as those in attendance to curtail broadband deployment; several companies in attendance also explained how the reforms have fomented job losses. The Rural Representatives cited in particular the lack of transparency in the regression analysis model, which renders companies unable to predict future model outcomes and resulting USF support, as well as concerns with respect to further potential reforms. The Rural Representatives urged the Federal Communications Commission (the “Commission”) to take prompt steps to dispel regulatory uncertainty by establishing cost recovery mechanisms that are both predictable and sufficient, and that will promote sustainable broadband deployment and rural economic development.

Finally, the Rural Representatives noted that a waiver process – particularly one as burdensome as the current mechanism – does not and cannot resolve concerns about the impacts of USF reforms. Moreover, a standard that requires *complete loss of voice service* to obtain a waiver is not only an excessively high threshold, but it is also detached from both a statutory universal service mandate that requires *reasonably comparable* services in rural and urban areas and the objectives of reform ostensibly intended to promote *broadband* availability and adoption.

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Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. Copies of the materials provided by various participants during the meeting are attached hereto. If you have any questions please do not hesitate to contact me.

Sincerely,

/s/ Meagan Foster

Meagan Foster

Director of Government Affairs

Enclosures

cc: Commissioner Ajit Pai
Nicholas Degani

Companies in attendance:

Greg Aldridge, KanOkla Networks, Caldwell
Janet Bathurst, S&A Telephone Company, Inc., Allen
Cary Bedene, Craw-Kan Telephone Cooperative, Inc., Girard
Kathy Billinger, Peoples Telecommunications, LLC, LaCygne
Bob Boaldin, Epic Touch, Elkhart
Dian Boaldin, Epic Touch, Elkhart
Brian Boisvert, Wilson Communications, Wilson
Trish Carroll, Columbus Telephone, Columbus
Steve Davis, SCTelcom, Inc., Medicine Lodge
Terry Force, Blue Valley Tele-Communications, Inc., Home
Mike Foster, Twin Valley Telephone Company, Inc., Miltonvale
Rhonda Goddard, Nex-Tech, Lenora
Dale Jones, Tri-County Telephone Association, Inc., Council Grove
Jill Kuehny, KanOkla Networks, Caldwell
Harry Lee, LaHarpe Telephone, LaHarpe
Archie Macias, Wheat State Telephone, Udall
Pat Morse, FairPoint Communications, Dodge City
Catherine Moyer, Pioneer Communications, Ulysses
Mike Murphy, Gorham Telephone Company, Gorham
Tonya Murphy, Gorham Telephone Company, Gorham
Beau Rebel, Golden Belt Telephone Association, Inc., Rush Center
Steve Sackrider, Wamego Telephone Company, Inc., Wamego
Larry Sevier, Nex-Tech, Lenora
Carla Shearer, Home Communications, Galva
Michael Shannon, Epic Touch, Elkhart
Gary Slough, S&T Telephone Cooperative Association, Brewster
Craig Wilbert, Craw-Kan Telephone Cooperative, Inc., Girard

A Quick Look at Blue Valley Tele-Communications, Inc.



About Us:

Blue Valley Tele-Communications, Inc. (BVTC) is a cooperative employing 45 people and providing voice and broadband service in Northeast Kansas. BVTC's ILEC service area covers approximately 1,086 square miles, is more than 55 miles from the nearest urban area, and has only 3.62 access lines per square mile. BVTC began offering service 56 years ago bringing quality voice service, and recently broadband service, to this high cost area of the state.

BVTC currently serves approximately 1,000 businesses that employ over 7,500 people in their ILEC and surrounding service area. BVTC also provides service to 20 schools and 4 rural critical access hospitals.

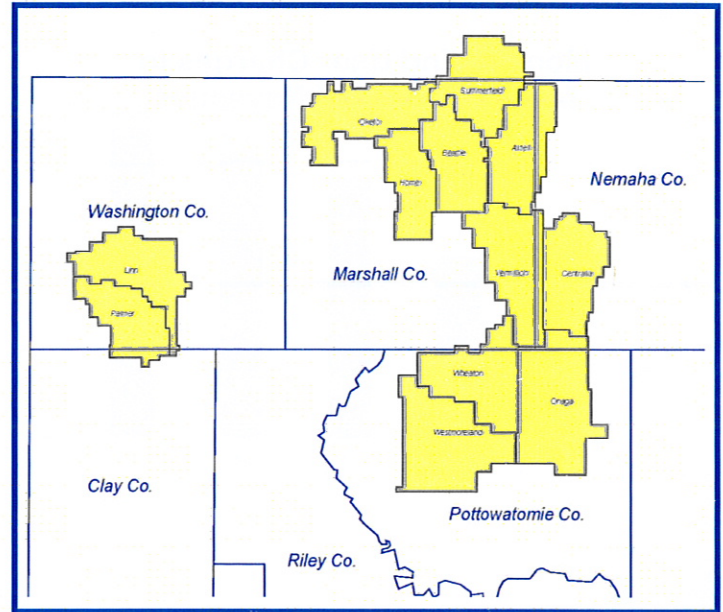
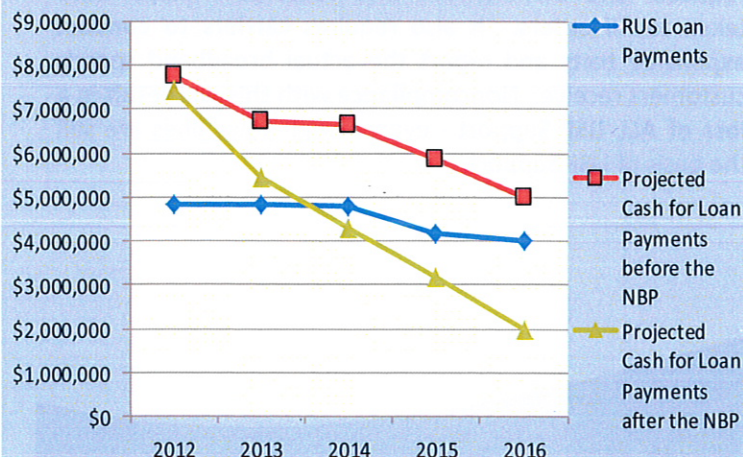
As mentioned above, BVTC expanded services to offer broadband, **meeting the Congressional mandate that all rural Americans have access to voice and information services** at comparable levels and rates as those enjoyed by those living in urban areas.

To meet Congress' goals, BVTC completed a fiber to the premises project in 2010, replacing its old copper network, which, due to its age, was neither efficient nor economical to maintain. This fiber network is bringing affordable **high speed broadband to 100% of BVTC's ILEC service area**, providing numerous economic and educational opportunities.

In order to pay for the infrastructure upgrade to fiber optics, BVTC financed the project through RUS. The application process was scrutinized by RUS staff before approval and met all guidelines under the then-current rules.

The graph below shows the impact of the National Broadband Plan's rules on BVTC's ability to make their RUS payments:

NBP Impact on BVTC's Ability to Repay RUS Debt



BVTC Quick Facts

# of BVTC Employees	45
# of BVTC ILEC Exchanges	12
# of Landline Voice Subscribers	5,163
# of Broadband Subscribers	4,243
Median Age in BVTC Service Area	44.3
Median Income in BVTC Service Area	\$24,009

Current Investments

RUS Loan Balance as of 6/30/2012	\$30,511,034
ILEC Broadband Adoption Rate	75%
Local ILEC Residential Voice Rate	\$16.25 - \$23.25
3M Broadband Rate	\$39.95
6M Broadband Rate	\$59.95

FCC Plan Impact on Financial Projections (2012-2016)

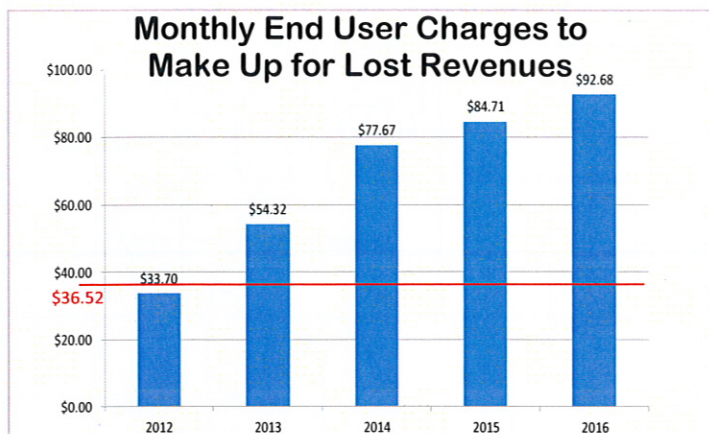
Projected Funding Loss	\$9,577,545
Projected % of Funding Loss	15%

Updated September 5, 2012

Impact of FCC's USF and ICC Reforms:

Blue Valley Stuck Between a Rock and a Hard Place

The Rock



Result of Lost Revenues will lead to Service Quality Degradation Due to Reductions in Staff and The Scaling Back of Service Offerings

The FCC Did Not Establish a Broadband-Focused "Connect America Fund" for Rate of Return LECs - All Support Remains Tied to the Provision of Voice Service

The Hard Place

The FCC's new annual reporting rules require all Eligible Telecommunications Carriers to certify that their local rate is not greater than two standard deviations above the national average. This is to ensure rural service is offered at a "reasonably comparable" rate to urban, per the 1996 Telecommunications Act. If carriers can not certify, they lose **ALL** USF support.

The FCC has not conducted a study on the average local rate since 2008, but at that time, **two standard deviations was \$36.52**, well below what Blue Valley would have to charge in 2013 and beyond to make up for lost revenues

The FCC's new annual reporting rules require all Eligible Telecommunications Carriers to certify that they are in compliance with the FCC's Quality of Service Standards to ensure that rural service offerings are "reasonably comparable" to urban per the 1996 Telecommunications Act. If Carriers can not certify, they lose **ALL** USF Support.

Not only must Blue Valley incur costs to ensure its network is capable of providing high-quality services, but even the reporting to demonstrate regulatory compliance requires additional costs. **Blue Valley has undergone 5 audits in the past 3 years.**

Even though the FCC's Order does not establish broadband as a supported service, **it requires Rate of Return LECs to provide broadband** at 4Mbps downstream and 1Mbps upstream upon reasonable customer request. Further, the FCC's new annual reporting rules require all Eligible Telecommunications Carriers to **report any unfulfilled requests** and demonstrate that reasonable steps were taken to fill orders. It also requires **carriers to conduct expensive tests** and report the actual broadband speeds customers receive. **Noncompliance with this will result in a loss of ALL USF Support** - even though voice lines are still the basis of USF Support.

Broadband Investment in Western Kansas



Rhonda S. Goddard

Chief Operating Officer
Rural Telephone Service

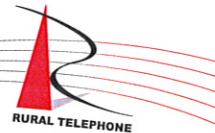
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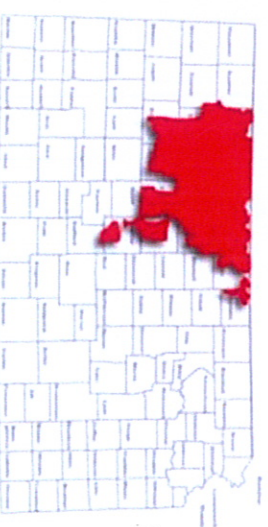
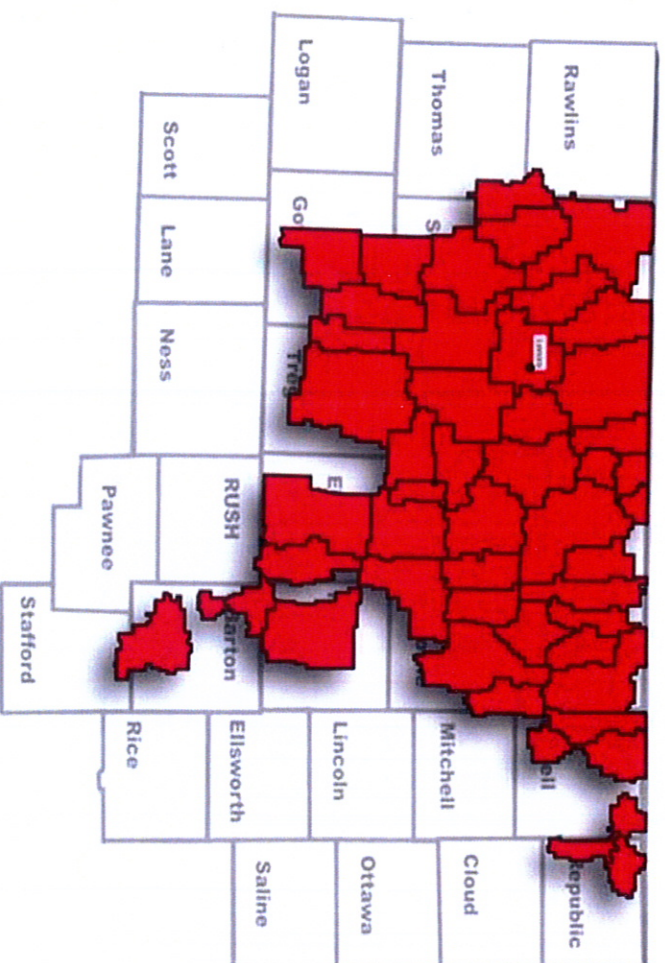
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Rural Telephone / Nex-Tech Broadband Coverage After Completion of Stimulus Build



Rural Telephone / Nex-Tech

Free Broadband/Wi-Fi Services to Libraries

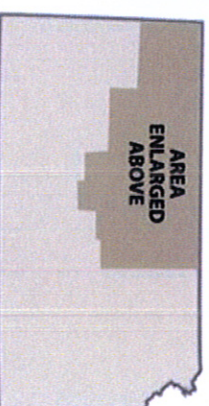
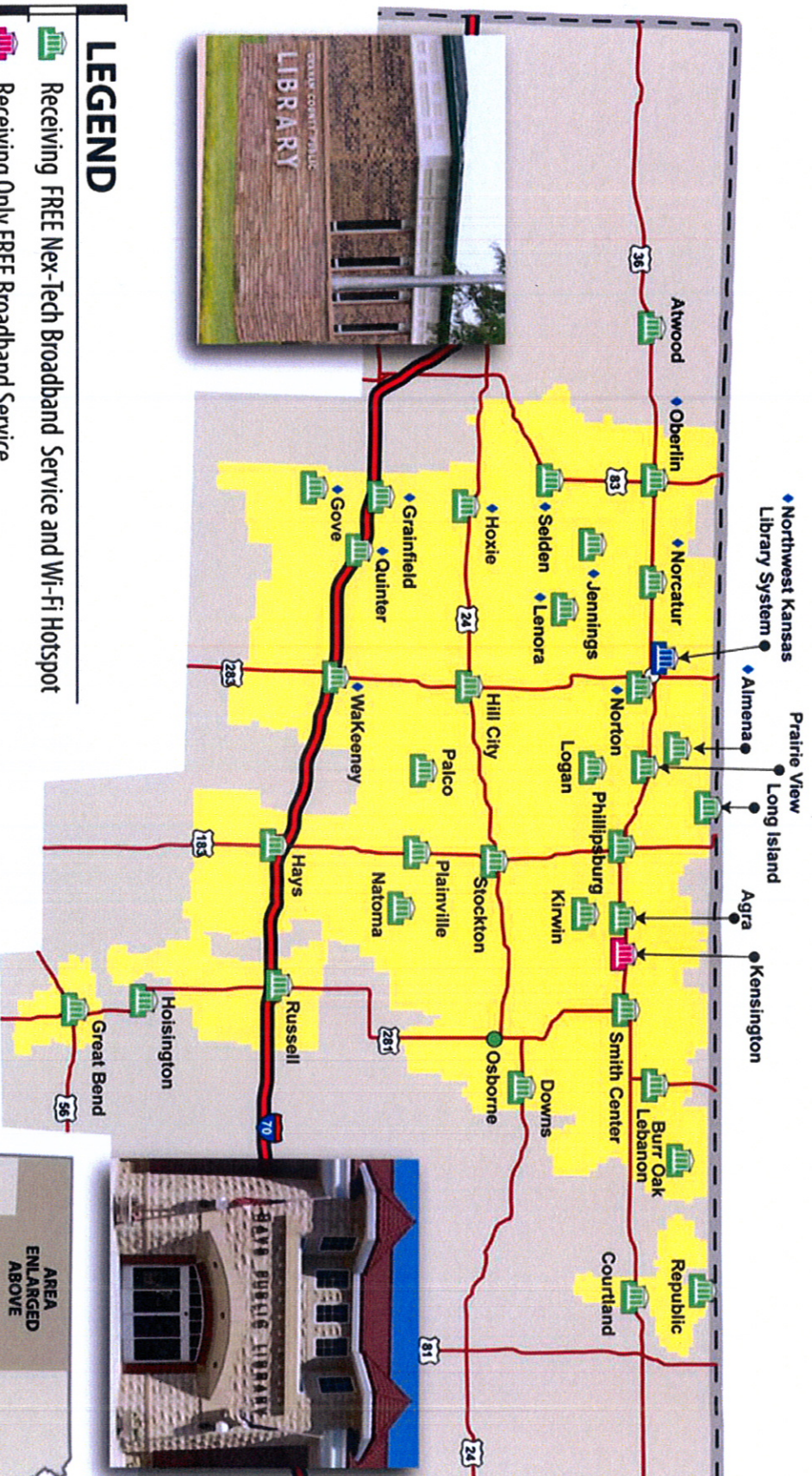




Photo by Jeff Cooper - Salina Journal

The Good Life

By TIM UNRUH
Salina Journal

COURTLAND -- Diapers and pacifiers are back in vogue at Courtland, where tykes are again frolicking in the parks and roaming safely about.

They're connected to stroller-pushing parents who have moved home over the past five or more years. The trend has stabilized this Republic County's population at 300, or just a skosh more, left only one vacant storefront downtown and clogged housing.

"The good thing is we've got traffic on Main Street," said Bob Mainquist, who co-owns the weekly Courtland Journal newspaper with his wife, Colleen.

"It's a wonderful thing to see these young people back here in town. It's a lifeblood," said Mike Johnson, owner and president of Swedish American State Bank.

The influx has squelched previous notions that Pike Valley School District was in jeopardy, said Chris Vignery, high school principal and superintendent of schools.

The kindergarten-through-eighth-grade school is in Courtland and the high school is in Scandia.

The school, which averages 18 in each class, projects next year's kindergarten to have 13 pupils, falling to 11 in 2013, he said. But by 2014, the expectation is a kindergarten with 16 students, thanks in part to growing families.

"Five years ago, some people thought we needed to look toward consolidation because of declining enrollment," Vignery said. "I don't think that's a consideration anymore."

Some returnees admit to an intense desire to leave for big cities and explore the world when they left high school, which is a common attitude for youngsters.

But some minds have changed, especially as the young adults age when their broods grow and opportunities surface closer to home.

More plan to come home

More than 20 people who have completed college degrees within five years of the class of 2005 have moved back, said Luke Mahin, 24, and more are planning to relocate home.

"You did have thoughts as a teenager that you couldn't wait until you could leave," said Troy Newman, 38, a co-owner of Ag Marketing Partners in Courtland.

"We probably thought that until we left for a week. It sounds a lot cooler to go places than it actually is," he said.

Troy and his wife, Christy, have a 2-year-old son, Peter. On Tuesday morning, Peter gained a little brother, Reed.

Troy Newman relocated his portion of the business in 2008 from Holdrege, Neb., to his hometown. His other two partners operate out of Westcliffe, Colo.

The strong farm economy and Internet service made the move possible, Newman said.

"When I graduated (Pike Valley) in 1991, we had just gone through the '80s. It was kind of doom and gloom," he said. "People have hope now and it definitely has helped our business."

Seven homes a block east of downtown Courtland are occupied by at least five young families. They're mixing in black, brunette and blonde with the gray hair that abounds in so many small Kansas towns.

Courtland relocation

Many of the relatively young residents -- from their 20s to early 40s -- fostered friendships in high school that contributed to pulling them back home after leaving and achieving some level of higher education.

They have returned to raise their offspring in the safe confines of a tiny hometown.

"We call it the Courtland Relocation Project," said Jennifer Russell, 31, a Glen Elder native who is among some eight spouses of Courtland natives who agreed to move back to their other half's childhood home. Her husband, Jay, 39, was a kid in Courtland and now works for Newman. They share an office building with Jennifer, owner of JenRus Freelance, an Internet marketing service, and Nex-Tech, which is the cable, telephone and Internet service provider.

Find an agreeable woman

"Our theory is (single Courtland men) find women who are agreeable, translate well to a rural area, and are amicable to moving back," Jennifer said.

The Russells have a 3-year-old son, Owen.

The movement has been "wonderful" for Courtland, Mayor Tim Garman said, and a wise move by the young families.

"You always hear that you would like to raise your kids up in more of our kind of community," he said. "It's theoretically safer."

The owner of Garman & Sons TV and Appliances, Tim is the "Sons" in the title. He got his start working for his father, Chad. After graduating from Courtland High School in 1973, Tim Garman started his full-time career at home.

"I knew I was coming right here to work," he said.

Among the forces at play is a welcoming attitude from the longtime residents.

"When they find out people are wanting to move back, they do all they can, whether through moral support or any other way," Mahin said.

Among the names mentioned in Courtland is John Blackburn, a farmer-stockman. With the exception of two years in the U.S. Army, Blackburn, 82, has spent all of his life within two miles of Courtland.

"We've had a good life in Courtland, seen it grow, and other little towns go by the wayside," he said.

Older residents' support

The group of students that Newman and Russell were attached to were a close-knit bunch, Blackburn said. "We encouraged them to go to college."

But when those youngsters wanted to come home, they were welcomed.

Older folks in Courtland "support our businesses," Troy Newman said.

Another key is busting the myth that coming home translates as failure.

The Good Life continued on page 2

Mahin, Jennifer Russell and others are part of the PowerUps movement at the Kansas Sampler Foundation, a group of rural young people focused on promoting small-town living and flourishing at it.

"We find that people hesitate about moving back because they think they'll be seen as a loser," said Marci Penner, of Inman, the founder and director of the Kansas Sampler Foundation and PowerUps.

Towns such as Courtland have gained momentum with their youths returning because some had the courage to take the chance first.

"When they see others moving back, it erases that stigma," Penner said. "At some point, the memory kicks in about why you loved growing up in a small town."

The true myth, she said, "is that all young people leave rural Kansas and don't ever want to come back."

Jobs are to be had

There are jobs to be had, Blackburn said, such as Premium Feeders, a cattle feedlot near Courtland and an ethanol plant in Scandia, which is six miles east. Mahin's brother, Ethan, 21, is working at the windfarm near Concordia.

"I hired a lot of those kids in the summer-time to help haul (hay) bales," Blackburn said. "Courtland is kind of in the heart of an irrigation district. It takes a darn sight more people to farm irrigated ground than dryland."

Others mimicked Courtland Mayor Garman and joined a family business. Blackburn mentioned Brock Hanel, 26, a veterinarian who has joined his father Lannie's practice. Brock's wife, Angie, is a registered nurse working in Belleville.

The couple's goal, Lannie Hanel said, was to move back to this rural area where they could work and start a family. They're expecting a child in July, Lannie said.

"We have got a lot of young kids (Brock's) age moving back, and it's tremendous, a boost to the community," Lannie Hanel said. "They're aggressive kids who want to get things started."

The Russells were living in Downs in 2010 when they migrated back to Courtland. Jennifer was working for Brush Art, an advertising agency, and Jay was working for a bank in Downs.

"My thought was 'What will I do if I come back?' We had good jobs where we lived," Jennifer Russell said.

Start your own business

The solution was starting her own business, JenRus Freelance, an Internet marketing firm she started in 2009 that specializes in social media and search engine optimization.

She hired an assistant, Mahin, 24, starting part-time in June 2010. The 2005 Pike Valley graduate completed a bachelor's degree in communication studies in 2010 from Fort Hays State University.

He worked as a substitute teacher and for C&W Farm Supply — the New Holland dealer in Courtland — before his employment at JenRus was upgraded to full-time in August.

"You have to be creative enough to find other ways to get along until you get what you need," Mahin said.

Both the entrepreneur and the employee are convinced that opportunity exists in Courtland, but it doesn't come with an information packet.

"You can't just go to Monster.com (employment website)," Jennifer Russell said.

A strong farm economy contributed mightily to Newman coming back and hiring Jay Russell.

But there was some risk in returning, Newman said. It requires a bold approach.

"A lot of people said for years that 'you can't do this.' If you believe that, you don't try," Newman said.

There are benefits to being where you're truly wanted, and where setting up shop is less expensive.

"We couldn't afford this office in Salina," he said.

Quality of life issue

Tanner Johnson, 35, the information technology and marketing officer at Swedish American State Bank, returned to Courtland in October with his wife, Kathy, 36, a registered nurse at Republic County Hospital in Belleville and their two children, Ella and Sam. They were living in Norman, Okla.

Tanner doubles as the CEO of aPeel, an interactive marketing agency that develops websites and web applications.

"A lot of it was the quality of life for our kids. It's one thing I really enjoyed growing up in this area, not something I'd trade," Tanner Johnson said.

A lack of good houses

Housing is the current bane in Courtland, Mayor Garman said.

"Affordable housing seems to be the biggest problem we have," he said. "People want to move here, but we don't have any place for them to live."

Some houses had deteriorated to the point that they were torn down, Garman said, and financing new construction has been difficult.

The city would follow the lead of other towns — Ellsworth, Marquette and Minneapolis — and give away housing lots "if we owned them," he said. "The city tries not to own lots."

The younger demographic has swallowed up available homes.

"It's a good problem to have," said bank owner and president Mike Johnson, Tanner's dad.

Mahin, for example, is preparing to move into his third rental since 2010. He first roomed with a cousin, then a friend. Next, he may rent space with his brother.

"I would like to build a house, but I just don't have the capital yet," Mahin said.

Lots are available and they're reasonably priced at about \$1,000 each.

"It's not like going to the city and paying \$100,000 for a lot, and then putting a house on it," Mike Johnson said. "We've financed a lot of homes for these young people, and the Nex-Tech building that went up."

Have to have technology

The young adults all agree that technology was essential to their return.

"The thing that made it possible was connectivity," Tanner Johnson said. The service available in Courtland is faster than what was offered in Norman, he said.

Mike Johnson calls it "tele-commuting," and it's helping in Courtland.

"I know a lot of people work at home. They're starting to realize they can work anywhere," he said.

With technology in place, rural towns can compete, Tanner Johnson said.

"These little towns can be the boom towns of the next 50 years with the way agriculture prices are and the changes the Internet's made to the job market," he said. "The landscape is changing. You can work for AT&T and live in Courtland, Kansas. Five or 10 years ago, that just wasn't possible."

Mahin is confident he could make it somewhere else, but he enjoys a sense of freedom in Courtland.

"I don't feel like I'm a slave to my job. I have a lot more ownership in the community," he said.

Finding a mate

As someone who would like to someday marry and start a family, Mahin admits that one negative is a relatively small pool of eligible bachelorettes.

But as more young people move back, he said, "There are a lot more options now than there used to be."

Mahin's advice to others pondering a return is for the system to include coming home as an option.

"We educate on the opportunities outside of a community," he said. "We need to start asking more often for our youths to come back."

— Reporter Tim Unruh can be reached at 822-1419 or by email at tunruh@salina.com.